
Compliance Section

**Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council
and the City Manager
City of Salisbury
Salisbury, North Carolina

We have audited the general purpose financial statements of the City of Salisbury, North Carolina, as of and for the year ended June 30, 1997, and have issued our report thereon dated September 19, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. We did not audit the financial statements of the Salisbury New Horizon Housing Corporation, Inc. or Downtown Salisbury, Inc. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Salisbury New Horizon Housing Corporation, Inc. or Downtown Salisbury, Inc. is based solely on the reports of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether the City of Salisbury's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Salisbury's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Salisbury in a separate letter dated September 19, 1997.

This report is intended for the information of management, federal and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Greensboro, North Carolina
September 19, 1997

**Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal
Control Over Compliance In Accordance With OMB Circular A-133 and the State
Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
and the City Manager
City of Salisbury
Salisbury, North Carolina

Compliance

We have audited the compliance of the City of Salisbury, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 1997. The City of Salisbury's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on the City of Salisbury's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Salisbury's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Salisbury's compliance with those requirements.

In our opinion, the City of Salisbury complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

Internal Control Over Compliance

The management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Salisbury's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Greensboro, North Carolina
September 19, 1997

**Report On Compliance With Requirements Applicable To Each Major State Program And
Internal Control Over Compliance In Accordance With OMB Circular A-133 and the
State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
and the City Manager
City of Salisbury
Salisbury, North Carolina

Compliance

We have audited the compliance of the City of Salisbury, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 1997. The City of Salisbury's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on the City of Salisbury's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Salisbury's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Salisbury's compliance with those requirements.

In our opinion, the City of Salisbury complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 1997.

Internal Control Over Compliance

The management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Salisbury's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Greensboro, North Carolina
September 19, 1997

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 1997

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL GRANTS:					
CASH PROGRAMS					
U.S. DEPARTMENT OF AGRICULTURE					
Pass-through N.C. Department of Environment, Health and Natural Resources: America the Beautiful Urban and Community Forestry Program	10.664	ATB-97-10-226	\$ 5,368	\$ -	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Program:					
Community Development Block Grant					
Entitlement Program	14.218	B-94-MC-37-0015	\$ 100,000	\$ -	\$ -
Entitlement Program	14.218	B-95-MC-37-0015	247,892	-	-
Entitlement Program	14.218	B-96-MC-37-0015	92,330	-	-
			<u>\$ 440,222</u>	<u>\$ -</u>	<u>\$ -</u>
Total U.S. Department of Housing And Urban Development			<u>\$ 440,222</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. DEPARTMENT OF JUSTICE					
Office of Justice Programs:					
Community Oriented Policing Services	16.710	95-CF-WX-3853	\$ 58,662	\$ -	\$ 8,275
U.S. DEPARTMENT OF TRANSPORTATION					
Pass-through N.C. Department of Transportation:					
Urban Mass Transportation Grants	20.507	96-18-003			
Capital		9.9043478	\$ 78,554	\$ 22,444	\$ 17,915
Urban Mass Transportation Grants	20.507	97-18-003			
Administration		9.9041530	\$ 68,030	\$ 14,578	\$ 14,578
Operating		9.9042530	79,178	-	237,534
			<u>\$ 147,208</u>	<u>\$ 14,578</u>	<u>\$ 252,112</u>
Intermodal Surface Transportation Efficiency Act *					
Railroad Station Improvement Program		8.2632401	\$ 683,252	\$ 85,406	\$ 85,407
Total U.S. Department of Transportation			<u>\$ 909,014</u>	<u>\$ 122,428</u>	<u>\$ 355,434</u>
TOTAL ASSISTANCE - FEDERAL PROGRAMS			<u>\$ 1,413,266</u>	<u>\$ 122,428</u>	<u>\$ 363,709</u>

* No known CFDA number

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 1997

(Continued)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
STATE GRANTS:					
CASH PROGRAMS					
N.C. DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES					
N.C. Clean Water Loans Bond Program	N/A	E-SBF-T-95-0012	\$ -	\$ 816,205	\$ -
N.C. DEPARTMENT OF TRANSPORTATION					
Powell Bill	N/A		\$ -	\$ 785,278	\$ -
Greenway and Pedestrian Bridge Program	N/A	8.2633201	\$ -	\$ 214,931	\$ -
State Maintenance Assistance for Transit Systems	N/A	9.9051123	\$ -	\$ 97,015	\$ -
TOTAL ASSISTANCE - STATE PROGRAMS			\$ -	\$ 1,913,429	\$ -
TOTAL ASSISTANCE			\$ 1,413,266	\$ 2,035,857	\$ 363,709

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 1997

1. **Summary of auditor's results:**

- (i) A report was issued, dated September 19, 1997, which expressed an unqualified opinion on the financial statements of City of Salisbury, North Carolina, for the year ended June 30, 1997.
- (ii) Not applicable
- (iii) The audit did not disclose any noncompliance which was material to the financial statements of City of Salisbury, North Carolina, for the year ended June 30, 1997.
- (iv) Our audit of compliance with the types of compliance requirements applicable to the City's major programs disclosed no instances of noncompliance in internal controls over major programs.
- (v) A report was issued, dated September 19, 1997, which expressed an unqualified opinion on City of Salisbury, North Carolina, compliance with the requirements applicable to each of its major programs for the year ended June 30, 1997.
- (vi) The audit did not disclose any audit findings which we are required to report under OMB Circular A-133, subsection .510(a).
- (vii) Major federal programs for the City of Salisbury, North Carolina, for the fiscal year ended June 30, 1997 are:

<u>Program Name</u>	<u>CFDA#</u>
Community Development Block Grant	14.218
Intermodal Surface Transportation Efficiency Act	N/A

- (viii) Major state programs for the City of Salisbury, North Carolina, for the fiscal year ended June 30, 1997 are:

<u>Program Name</u>	<u>Grant Number</u>
N. C. Clean Water Loans Bond Program	E-SBF-T-95-0012
Powell Bill	N/A

- (ix) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (x) City of Salisbury, North Carolina, qualified as a low-risk auditee under OMB Circular A-133, subsection .530.

2. **Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:**

None

3. **Findings and questioned costs for federal and state awards:**

None

